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The Annual Meeting of the stockholders will be held on Wednesday, April 9, 1947. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to stockholders on or about March 12, 1947, at which time proxies will be requested by the management.



Carthage, Indiana, mill room recently refinished.

ANNUAL REPORT

MARCH 4, 1947

CONTAINER CORPORATION OF AMERICA

AND SUBSIDIARY COMPANIES

MILLS

CARTHAGE, INDIANA
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CIRCLEVILLE, OHIO
FERNANDINA, FLORIDA

PHILADELPHIA, PENNSYLVANIA
TACOMA, WASHINGTON
WABASH, INDIANA
WILMINGTON, DELAWARE

FACTORIES

ANDERSON, INDIANA
BALTIMORE, MARYLAND
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
DETROIT, MICHIGAN
FORT WORTH, TEXAS
GREENSBORO, NORTH CAROLINA
(under construction)

KALAMAZOO, MICHIGAN
LOS ANGELES, CALIFORNIA
NEW ORLEANS, LOUISIANA
OAKLAND, CALIFORNIA
PHILADELPHIA, PENNSYLVANIA
ROCK ISLAND, ILLINOIS
SEATTLE, WASHINGTON
SIOUX CITY, IOWA
ST. LOUIS, MISSOURI
TACOMA, WASHINGTON

BRANCH AND SALES OFFICES

ANDERSON, INDIANA
BALTIMORE, MARYLAND
BOSTON, MASSACHUSETTS
CHICAGO, ILLINOIS
CINCINNATI, OHIO
CLEVELAND, OHIO
DALLAS, TEXAS
DETROIT, MICHIGAN
FORT WORTH, TEXAS
GREENSBORO, NORTH CAROLINA
INDIANAPOLIS, INDIANA
KALAMAZOO, MICHIGAN
LOS ANGELES, CALIFORNIA

MASON CITY, IOWA
MINNEAPOLIS, MINNESOTA
NEW ORLEANS, LOUISIANA
NEW YORK, NEW YORK
NORTH BERGEN, NEW JERSEY
OAKLAND, CALIFORNIA
PHILADELPHIA, PENNSYLVANIA
PORTLAND, OREGON
ROCK ISLAND, ILLINOIS
SEATTLE, WASHINGTON
SIOUX CITY, IOWA
ST. LOUIS, MISSOURI
TACOMA, WASHINGTON
WABASH, INDIANA

FOREIGN COMPANIES

CARTON INTERNACIONAL, S.A., PANAMA
CARTON DE COLOMBIA, S.A. (50% ownership)
CARTOENVASES DE MEXICO, S.A.
(50% ownership)

111 WEST WASHINGTON STREET, CHICAGO 2, ILLINOIS

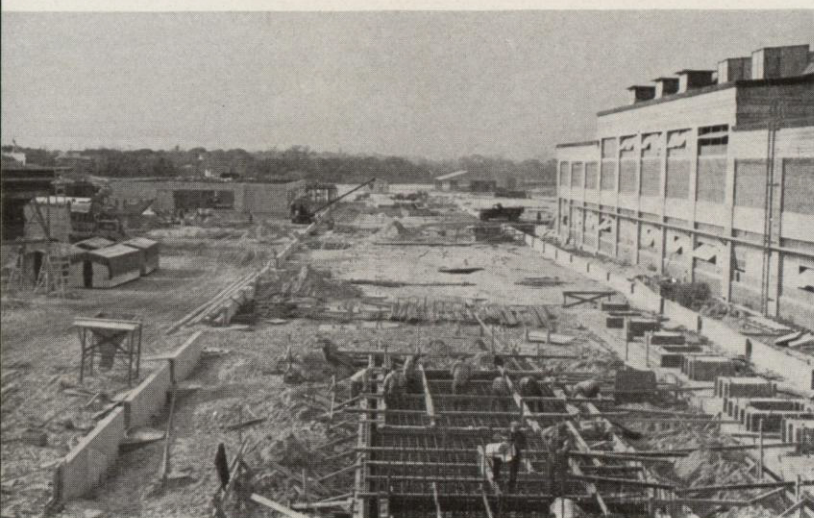
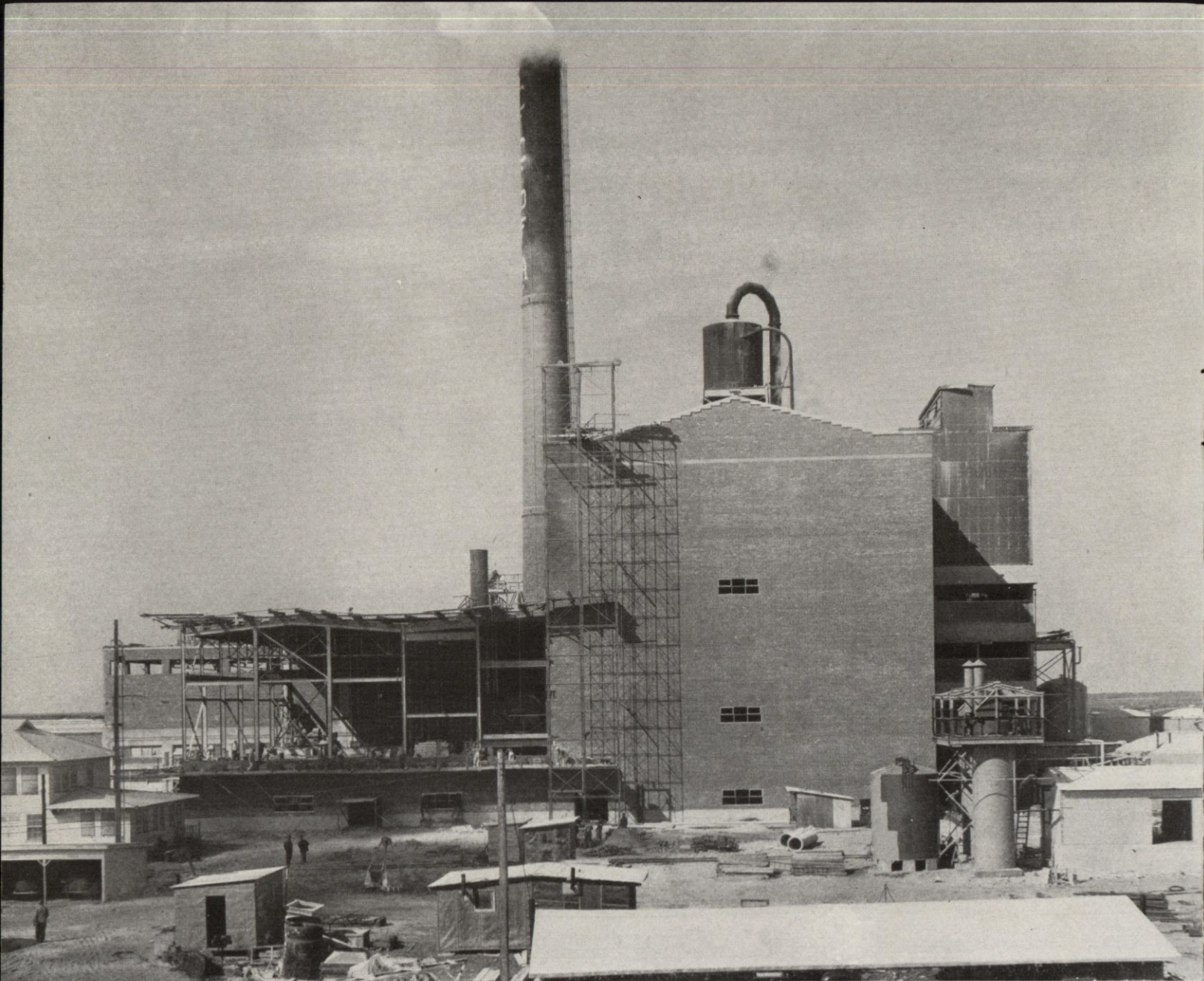
DIRECTORS WILLIAM R. BASSET, New York, New York
JOHN E. BIERWIRTH, New York, New York
HENRY B. CLARK, San Diego, California
WESLEY M. DIXON, Chicago, Illinois
JOHN L. DOLE, Chicago, Illinois
RICHARD G. IVEY, London, Ontario, Canada
WILLIAM P. JEFFERY, New York, New York
IRA C. KELLER, Chicago, Illinois
WALTER P. PAEPCKE, Chicago, Illinois
J. V. SPACHNER, Chicago, Illinois

EXECUTIVE COMMITTEE WILLIAM R. BASSET
JOHN E. BIERWIRTH
WILLIAM P. JEFFERY
WALTER P. PAEPCKE

OFFICERS Chairman of the Board, WALTER P. PAEPCKE
President, WESLEY M. DIXON
Vice President, J. A. CUNNINGHAM
Vice President, IRA C. KELLER
Vice President, J. V. SPACHNER
Secretary and Treasurer, E. A. WAGONSELLER
Controller, C. M. BLUMENSCHEN
Assistant Treasurer, CHRIST MADSEN
Assistant Secretary, H. J. GREVEN
Assistant Secretary, C. H. SEELEY
Assistant Controller, EDWARD J. STOUT

TRANSFER AGENTS CONTAINER CORPORATION OF AMERICA,
Chicago, Illinois
CITY BANK FARMERS TRUST COMPANY,
New York, New York

REGISTRARS CONTINENTAL ILLINOIS NATIONAL BANK AND
TRUST COMPANY, Chicago, Illinois
THE NEW YORK TRUST COMPANY,
New York, New York



Above, Pulp refining and washing buildings under construction at Fernandina, Florida. Left, Foundation under construction for the new kraft board machine building.

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

CHICAGO, ILLINOIS, MARCH 4, 1947

TO THE SHAREHOLDERS AND EMPLOYEES OF CONTAINER CORPORATION OF AMERICA

We submit to you the Annual Report of Container Corporation of America for the year ended December 31, 1946, including the Auditors' Certificate, a Consolidated Balance Sheet, and Summaries of Consolidated Profit and Loss and Surplus Accounts. The consolidated financial statements reflect, in addition to the results of the parent Company's operation, those of its three wholly owned subsidiaries; California Container Corporation from the date of its acquisition, March 1, 1946, and Pioneer Paper Stock Company and Sefton Fibre Can Company for the full year 1946.

FINANCIAL REVIEW

EARNINGS. Consolidated net earnings for 1946 were \$7,165,561 as compared with \$2,026,103 for 1945. The figures for each year are net after all charges including provision for depreciation, local, state and Federal taxes, and a special provision for an inventory and contingencies reserve. The net profit for the year 1946 amounted to \$7.23 a share on the 990,474 shares of capital stock outstanding as of December 31, 1946, compared with \$2.59 a share for the year 1945 on the 781,253 shares of capital stock outstanding on December 31, 1945. Quarterly earnings per share follow:

	Earnings per Share on Shares Outstanding at End of Quarter	Earnings per Share on Shares Outstanding at End of Year
1st Quarter.....	\$1.32	\$1.04
2nd Quarter.....	1.96	1.67
3rd Quarter.....	2.13	2.13
4th Quarter.....	2.39*	2.39*
		<u>\$7.23</u>

*After adding net earnings of Sefton Fibre Can Company amounting to \$.14 per share for the full year, deducting year end adjustments and deducting additional provisions for certain reserves, all of which represents a net decrease of \$.59 per share.

A comparative tabulation of operating results for the last three years is given below:

	1946	1945	1944
Net Sales.....	\$91,090,286	\$74,138,191	\$69,641,096
Cost of sales (exclusive of depreciation).....	71,246,408	59,589,990	53,830,458
Gross profit (exclusive of depreciation).....	\$19,843,878	\$14,548,201	\$15,810,638
Provision for depreciation (includes depletion of \$36,078 for 1946, \$17,025 for 1945 and \$25,770 for 1944).....	1,493,346	1,435,464	1,481,306
Gross profit from operations.....	\$18,350,532	\$13,112,737	\$14,329,332
Selling, administrative and general expenses.....	5,317,302	4,496,451	4,025,746
Profit from operations.....	\$13,033,230	\$ 8,616,286	\$10,303,586
Purchase discounts, interest earned, etc. (net).....	102,331	399,817	209,613
Profit before Federal income taxes, etc.....	\$13,135,561	\$ 9,016,103	\$10,513,199
Provision for Federal income taxes (including renegotiation provision in 1945 and 1944)	5,370,000	6,690,000	7,850,000
	\$ 7,765,561	\$ 2,326,103	\$ 2,663,199
Provision for inventory and contingencies reserve.....	600,000	300,000	600,000
Net profit for the year.....	\$ 7,165,561	\$ 2,026,103	\$ 2,063,199

Depreciation was again provided at rates similar to those used in preceding years and totaled \$1,457,268. Depletion of the Company's own timber amounted to \$36,078. Timber cut was only a small part of the additional growth for the year.

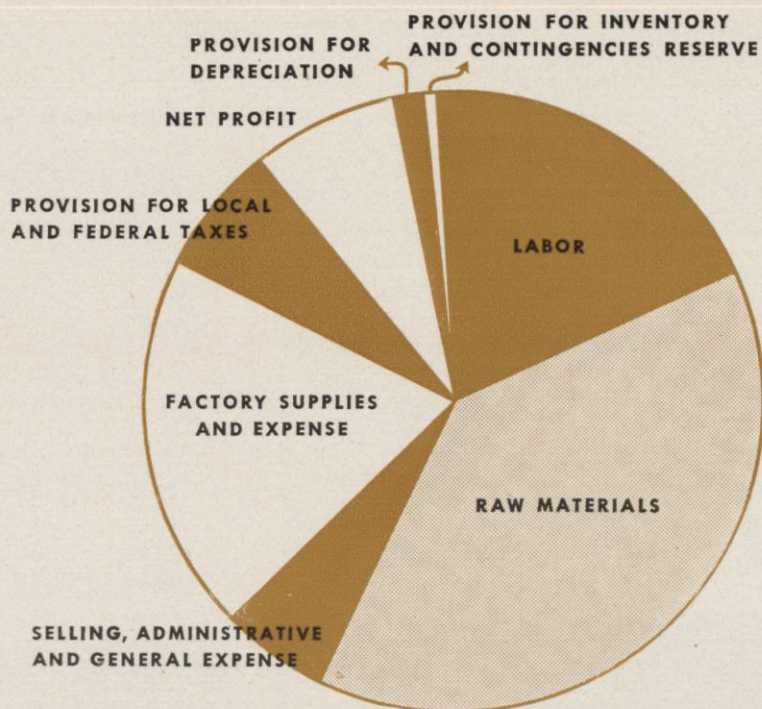
The loss on capital assets retired was \$27,448, which was charged against the year's earnings.

The maintenance and repair costs for the year continued to increase over previous years due to higher costs of labor and materials and additional operating properties. The more intensive use of machinery and equipment, in many instances on a twenty-four hour daily basis, also increased maintenance costs.



California Container Corporation, Los Angeles
corrugated shipping container plant. Right,
corrugating machine room.





The Federal income tax was less than last year because of the elimination of the excess profits tax, but still amounted to \$5,370,000, or \$5.42 per share of outstanding stock.

The diagram and tabulation on this page show the disposition of the Company's net sales dollar between raw materials, factory supplies and expense, labor, selling, administrative and general expense, depreciation, taxes, inventory and contingencies reserve, and net profit.

Net earnings for the year were equivalent to 23.24% on the average invested capital during the year.

	1946		1945	
Net Sales.....	\$91,090,286	100.00%	\$74,138,191	100.00%
Raw materials.....	34,804,112	38.21%	30,275,198	40.84%
Factory supplies and expense.....	18,018,244	19.78	15,146,643	20.43
Labor.....	17,466,891	19.17	13,289,243	17.92
*Selling, administrative and general expense...	5,243,697	5.76	4,096,634	5.53
Provision for depreciation (includes depletion of \$36,078 for 1946 and \$17,025 for 1945).....	1,493,346	1.64	1,435,464	1.94
Provision for local and Federal taxes (including renegotiation provision in 1945).....	6,298,435	6.91	7,568,906	10.21
Provision for inventory and contingencies reserve.....	600,000	.66	300,000	.40
Net Profit for the year.....	7,165,561	7.87	2,026,103	2.73

*Includes other income and charges.

WORKING CAPITAL. Changes in working capital between 1946 and 1945 are exhibited in the following table:

	December 31		Increase or Decrease (d)
	1946	1945	
CURRENT ASSETS:			
Cash in banks and on hand.....	\$ 5,917,335	\$ 3,991,492	\$1,925,843
U. S. Government Securities.....	133,321	1,620,562	1,487,241 (d)
Accounts receivable, less reserves.....	5,115,371	3,081,785	2,033,586
Inventories.....	6,136,154	4,529,376	1,606,778
Total current assets.....	<u>\$17,302,181</u>	<u>\$13,223,215</u>	<u>\$4,078,966</u>
CURRENT LIABILITIES:			
Accounts payable.....	\$ 2,037,779	\$ 2,309,871	\$ 272,092 (d)
Accrued salaries, wages and profit sharing provision....	1,349,343	954,902	394,441
Accrued taxes.....	640,770	530,769	110,001
Provision for Federal income taxes (including renegotia- tion provision in 1945).....	*	*	—
Other accruals.....	193,991	349,959	155,968 (d)
Total current liabilities.....	<u>\$ 4,221,883</u>	<u>\$ 4,145,501</u>	<u>\$ 76,382</u>
Net working capital.....	<u>\$13,080,298</u>	<u>\$ 9,077,714</u>	<u>\$4,002,584</u>
Current ratio.....	4.10 to 1	3.19 to 1	
*Provision for Federal income taxes and renegotiation.....	\$ 7,266,403	\$ 8,080,442	—
Less: Treasury Notes—tax series.....	7,266,403	8,080,442	—



New scale house at Circleville, Ohio, container board mill.

The net improvement in working capital was \$4,002,584. The increase in accounts receivable was due to a greater sales volume, and that in inventories was due to greater quantities and higher unit values. The inclusion of California Container Corporation and Sefton Fibre Can Company also accounts for a portion of these increases.

An application of funds statement for the year 1946 appears below:

Funds were provided from the following sources:

Net profit for the year	\$7,165,561	
Expense items which did not require cash expenditures—		
Provision for depreciation (includes depletion of \$36,078 and depreciation of \$19,823 charged to administrative and selling costs)	\$1,513,169	
Provision for inventory and contingencies reserve	600,000	2,113,169
		\$ 9,278,730
Net proceeds from the sale of 141,496 shares of common stock		5,831,841
Working capital acquired through the acquisition of California Container Corporation and the consolidation of Sefton Fibre Can Company		1,197,731
The total funds provided were		\$16,308,302

Funds were expended or segregated for the following:

Dividends paid	3,222,911	
Additions to plant and equipment	4,059,319	
Cash set aside for plant additions and betterment program	4,000,000	
Advance to foreign subsidiary	100,000	
Increases in miscellaneous investments and other assets	602,957	
Increase in deferred charges	320,531	\$12,305,718

Resulting in a net increase in working capital of \$ 4,002,584

Capital expenditures made during the year totaled \$4,059,319. Most of the Company's plants participated in these expenditures which included, among others, expenditures for fabricating machinery and miscellaneous paper mill equipment. The major expenditure for the year was approximately \$1,385,000 toward the construction of the new Kraft board mill at Fernandina, Florida. A small investment was made for a new plant in Sioux City, Iowa, for processing machinery and building improvements for the manufacture of corrugated containers from sheets.



California Container Corporation, Oakland corrugated shipping container plant. Below, shipping room.



CAPITALIZATION. During the year 209,221 additional shares of capital stock were issued of which 67,725 shares were issued in exchange for all of the outstanding shares of stock of California Container Corporation, and 141,496 shares were sold for cash.

The 141,496 shares were offered for sale to shareholders on July 23, 1946, on the basis of one new share for each six shares held at a price of \$42 per share. Shareholders subscribed for 92% of the number of shares offered and the small number of unsubscribed shares were taken up by the underwriters at the then market price which was somewhat in excess of the subscription price. The net cash proceeds from this new issue amounted to \$5,831,841. This cash is being used for general corporate purposes.

Due to these increases in the number of shares issued, there now remain only 9,526 shares of unissued stock against the 1,000,000 shares authorized. Shareholders will be requested at the next annual meeting of shareholders to approve an increase in the authorized common stock from 1,000,000 to 1,500,000 shares. The Board of Directors has no present definite plans for issuing this stock. It will be issuable, however, only on authorization by the Board of Directors for various corporate purposes.

At the same annual meeting the Board of Directors, after careful consideration, is recommending for the approval of the shareholders an authorization to create a new preferred stock issue with a par value of \$10,000,000. It is contemplated that this stock will be sold in the near future. The proceeds would be added to the Company's general cash funds and used as the needs arise as determined by the Board of Directors. The Company has underway a program of further improvement to its existing manufacturing plants and facilities and those of its subsidiaries. The Company is doing more than four times the volume of business which it did ten years ago and while there has been a substantial improvement in working capital over the decade, the increase has not been in proportion to the growth in sales.

In 1941 the shareholders authorized an issue of \$5,000,000 of preferred stock which was never issued. A request will be submitted that this authorization be rescinded.

Further details on these proposals will be found in the proxy statement which will be mailed to shareholders in the near future.

SURPLUS. The net profit for the year of \$7,165,561, plus other additions of \$402,215, were credited to earned surplus, and dividends of \$3,222,911 were charged against it. The net addition to earned surplus for the year was \$4,344,865.

Paid-in surplus increased from \$671,494 to \$3,829,851 during the year, principally due to the issuance and sale of 209,221 shares of capital stock at a price in excess of par value. The changes in both earned and paid-in surplus are detailed on page 30 of this report.

FIVE-YEAR COMPARISONS 1942-1946

	1942	1943	1944	1945	1946
NUMBER OF EMPLOYEES (AT 12/31)	5,627	6,428	7,131	7,632	9,515
TONS SHIPPED	575,856	598,918	585,018	597,267	624,126
NET PROFIT	\$2,401,748	\$2,184,054	\$2,063,199	\$2,026,103	\$7,165,561
DIVIDENDS AND INTEREST PAID	\$1,208,910	\$1,171,879	\$1,171,879	\$1,171,879	\$3,222,911
TAXES	\$6,953,984	\$8,556,871	\$8,761,227	\$7,568,906	\$6,298,435
PER CENT OF PROFIT ON INVESTED CAPITAL	11.06%	9.58%	8.71%	8.25%	23.24%
INVESTED CAPITAL PER EMPLOYEE	\$ 3,860	\$ 3,545	\$ 3,321	\$ 3,274	\$ 3,854
INCREASE IN EARNED SURPLUS	\$1,229,869	\$903,983	\$891,321	\$854,224	\$4,344,865



Nationally advertised products packed in shipping containers produced by Container Corporation of America.

OPERATIONS

The tabulation below shows the tons of paperboard and pulp produced by the Company's paper mills and pulp mill and the tons of finished products shipped by mills and box factories to customers:

	Tons Produced in Mills	Tons Finished Product Shipped
1934.....	300,424	312,830
1935.....	373,399	382,381
1936.....	428,627	441,086
1937.....	391,270	390,496
1938.....	346,616	361,820
1939.....	432,848	462,385
1940.....	461,815	504,507
1941.....	546,002	627,292
1942.....	508,423	575,856
1943.....	537,076	598,918
1944.....	523,946	585,018
1945.....	534,131	597,267
1946.....	558,621	624,126

The tons of finished products shipped exceeded the tons produced in the Company's paper mills and pulp mill because of the large tonnage purchased from outside sources in addition to the Company's own production.

SALES AND SALES PROMOTION

Consolidated net sales for 1946 were \$91,090,286, an increase of \$16,952,095 over sales of \$74,138,191 in 1945. The tons shipped increased 4.5%.

Foreign pulp prices and domestic pulp substitutes advanced sharply after removal of price ceilings November 10, and as costs increased corresponding advances were made in selling prices. However, the greater proportionate output of fabricated products accounted mostly for the larger increase in dollar sales than in unit volume.

The Sales Research, Laboratories, and Technical Research Departments made satisfactory progress during the year in new packaging fields as well as product improvement.

The Art and Design Departments created many packages during the year for various new products and also redesigned and improved numerous packages already in use.

AFFILIATED AND SUBSIDIARY COMPANIES

California Container Corporation manufactures corrugated and solid fibre shipping containers at Los Angeles and Oakland, California, and at Seattle, Washington. With these plants on the Pacific Coast the Company's customers are now offered a nation-wide service for fabricated products. On December 1, California Container Corporation leased and is operating the mill and carton plant of the Standard Carton Company in Tacoma, Washington.

Sefton Fibre Can Company, with operations in St. Louis, Missouri, and New Orleans, Louisiana, during the year redeemed the \$75,000 of outstanding preferred stock and also paid off the remaining amount of a serial mortgage note on its St. Louis property amounting to \$81,250. The funds for these purposes were secured through an additional advance by Container Corporation of America of \$150,000 together with funds from the Sefton Company's treasury. The Company has no preferred stock or mortgage debt outstanding at the present time.

Pioneer Paper Stock Company had a difficult operating year because of the continuing shortage of waste paper. The demand for higher grades of paperstock which can be used for pulp substitutes was greater than the supply. The waste paper collecting industry deserves much credit for the tonnage that was collected, sorted and shipped to permit the increase in operations this year over the previous year for your Company and the paperboard industry in general.

FOREIGN INVESTMENTS. Cartoenvases de Mexico, S.A., in which your Company has a 50% stock interest through Carton Internacional, S.A., operated at a small profit for the year.

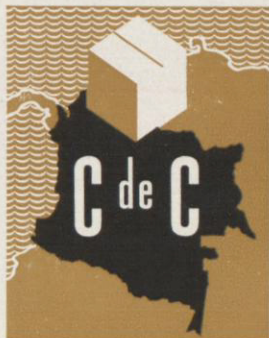
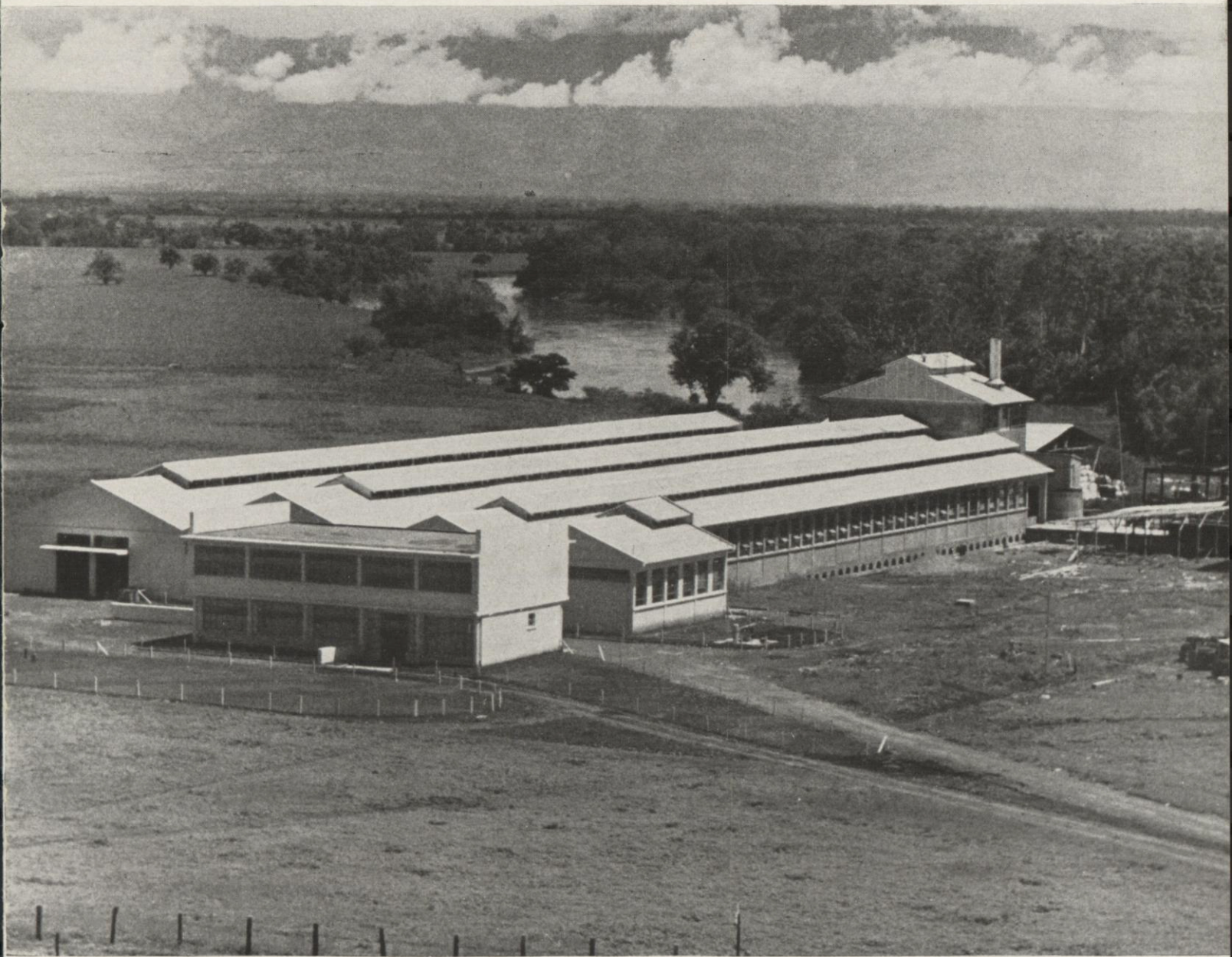
Carton de Colombia, S.A., in which your Company also has a 50% stock interest through Carton Internacional, S.A., manufactured paperboard for the first time in November. Since the early part of 1947 it has been manufacturing corrugated containers and folding cartons. There is a strong demand for these products in Colombia.

PAPERBOARD AND CONTAINER INDUSTRY CONDITIONS

The paperboard industry and your Company had no major reconversion problems as the standard products slightly modified were satisfactory for war needs. Since price ceilings were removed on November 10, moderate price increases were made to absorb increased costs. The demand for all paperboard products continues strong and active without any change thus far.

Some new mill capacity is in the process of construction throughout the various divisions of the paper industry. Completion of some of these projects is expected toward the latter part of this year. There are a number of marginal mills or standby units now operating which no doubt will be shut down when sufficient new capacity is ready, or should there be a falling-off in demand which might make the output of the standby units no longer necessary. Very little new capacity has been added during the past five years or more. The new construction now under way represents largely the replacement of accumulated obsolescence and the additional production capacities needed to meet the normal growth of demand within the industry.

Many new products are appearing on the market in various industrial fields which require paperboard packaging, and also many products heretofore packaged in bulk continue to go into paperboard packages in order to reduce costs of distribution. Unless there is a presently unforeseen drop in demand due to a major change in the general economic conditions of the country, the paperboard and container industry should operate at relatively high levels.



Paperboard mill, shipping container and folding carton plant of Carton de Colombia, S. A., Cali, Colombia, South America.

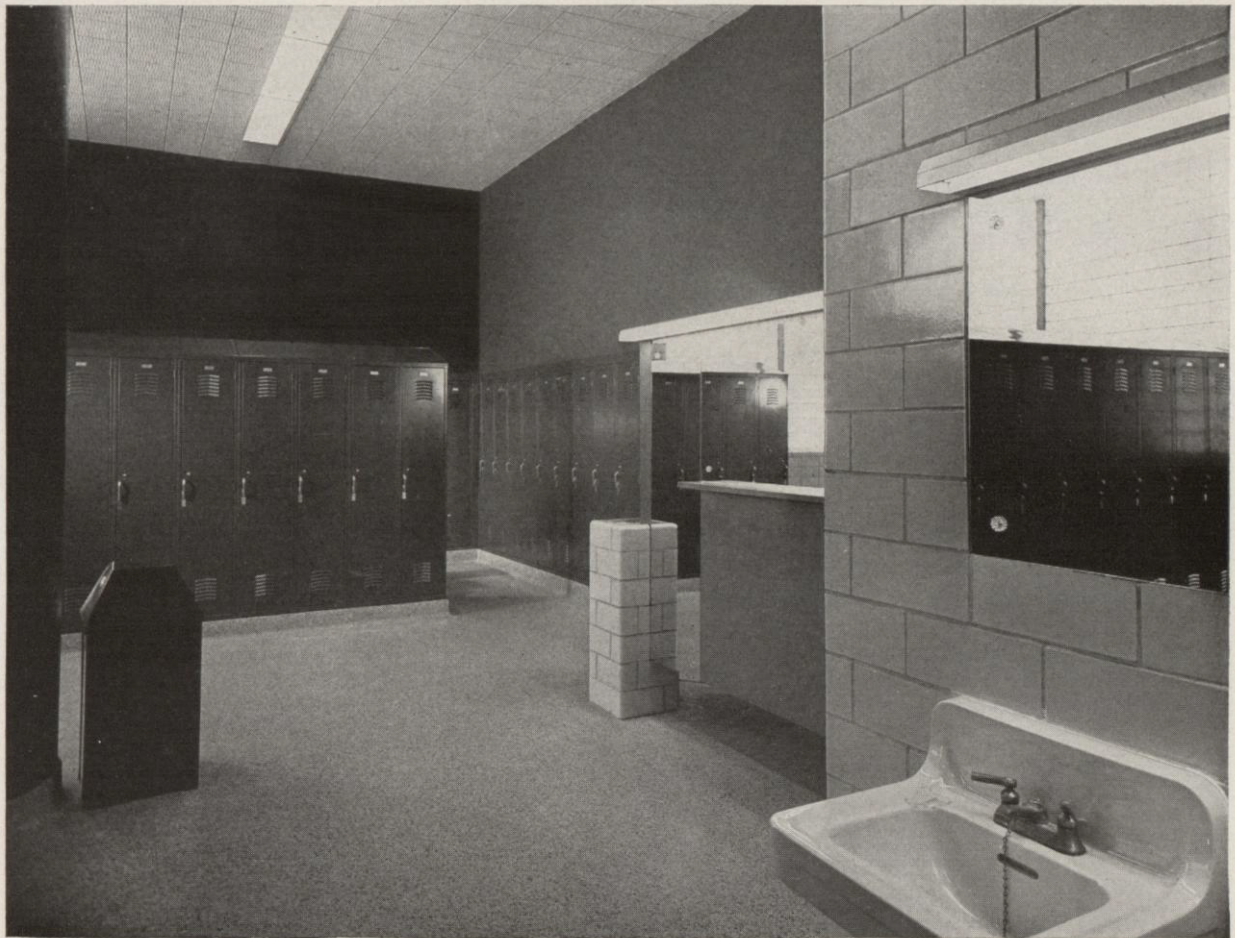
EMPLOYEE RELATIONS

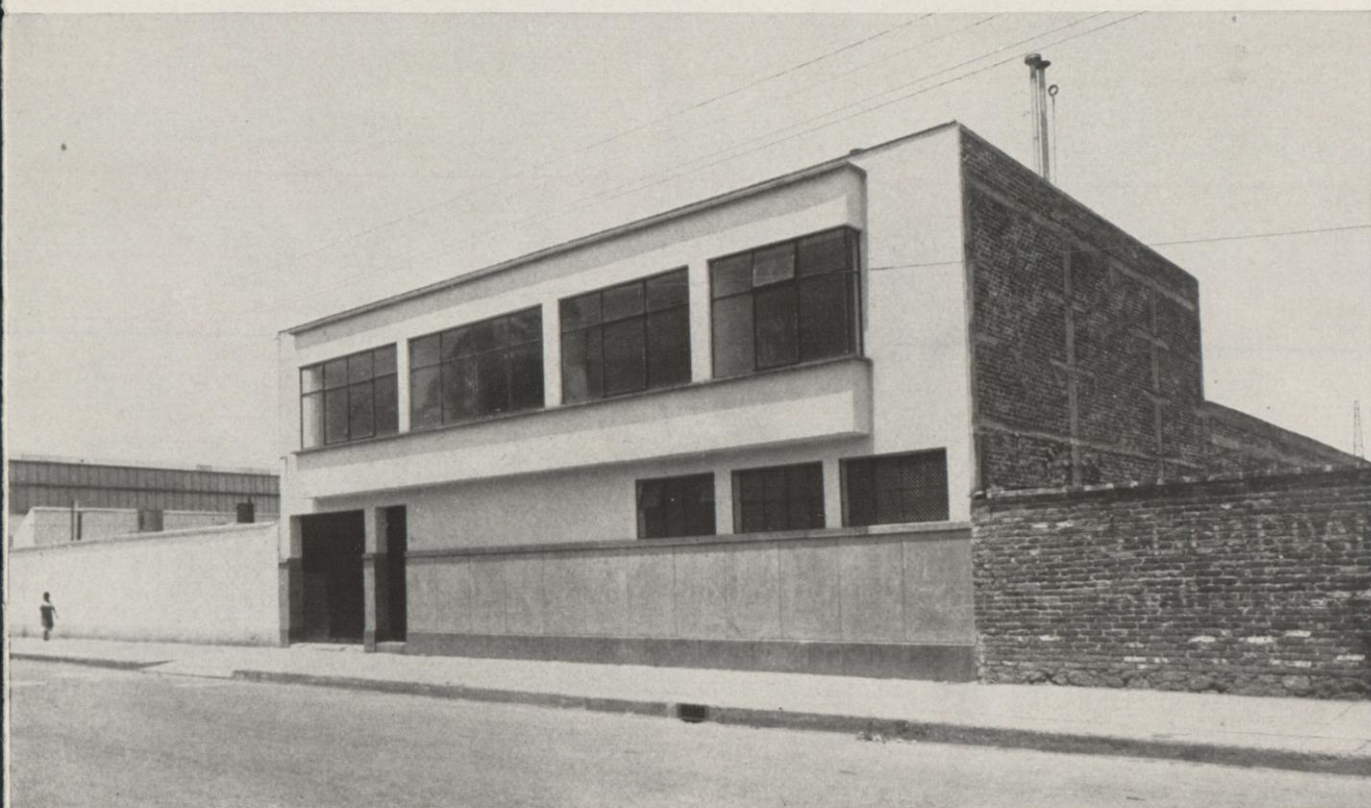
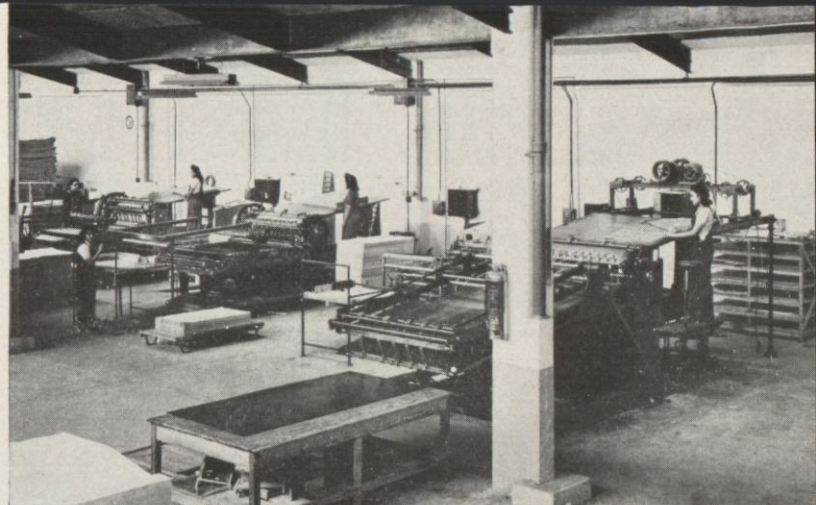
There were 9,515 employees on the Company's pay roll at the year end. We are happy to welcome back the many men and women who served our Nation at war. There still were 177 employees in the military service who again received a Christmas time remembrance in the form of a money order.

The Company has continued the program of improving employee facilities such as locker rooms, rest rooms, first aid stations, cafeterias and recreation facilities in order to create better working conditions.

Operations experienced no lost time during the year due to labor disagreements.

RETIREMENT ANNUITY PLAN. During 1946 the employees contributed \$350,786 and the Company contributed \$420,943 toward the retirement annuity plan. Contributions by and on account of employees other than executive officers aggregated 96.9%, with 3.1% contributed by and on account of executive officers. The Company has paid in full and charged against 1946 earnings the remaining past service annuity liability which totaled \$309,576.

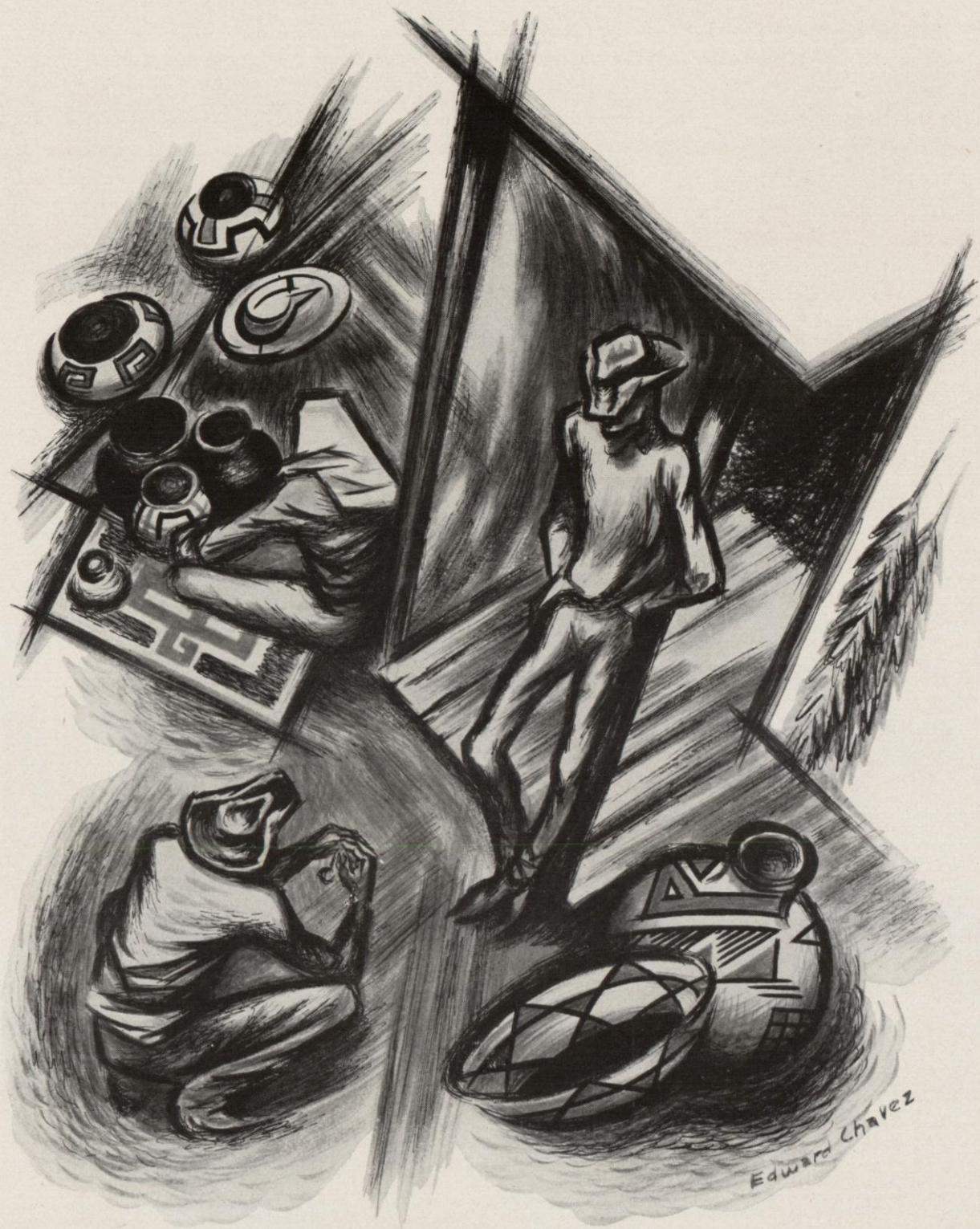




Folding carton plant of Cartoenvases de Mexico, S. A., Mexico, D. F. Above, press room. Center, plant and office building. Right, gluing department.

Left, new locker room for men at the Cincinnati, Ohio, plant of Container Corporation of America.





Artist - Edward Chavez, native of New Mexico

NEW MEXICO—annual purchases: \$220 million—mostly packaged.

CONTAINER CORPORATION OF AMERICA



SAVE WASTE PAPER

MANAGEMENT PROFIT SHARING PLAN. Under this plan, approved by the shareholders at their annual meeting in 1940, a total amount of \$1,707,649 would have been payable; however, the non-participating directors entrusted with the final determination of the profit sharing fund concluded that under present conditions the amount to be distributed should be limited to \$347,800 compared with \$273,750 last year. Allocations were authorized as follows: 20.1% to the Chairman of the Board, 11.5% to the President, 26.5% to the three Vice-Presidents, and 41.9% to sixty-one other employees, including the Secretary-Treasurer and Controller.

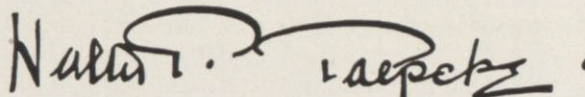
ORGANIZATION

On June 26, 1946, Walter P. Paepcke was elected Chairman of the Board and Chief Executive Officer of the Company. Wesley M. Dixon was elected President of the Company. The three operating Divisions of the Company were reduced to two. Ira C. Keller, Vice-President, was placed in charge of the East and West Coast Division, and J.V. Spachner, Vice-President, in charge of the Central Division. Mr. E. A. Throckmorton, formerly a Vice-President, resigned in the fore part of the year to become active head of Container Laboratories, Inc., a non-affiliated enterprise.

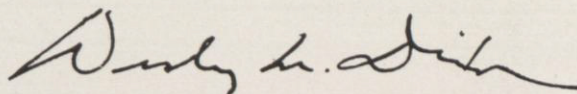
The Board of Directors wishes to express its appreciation and recognition of the able, conscientious, and loyal efforts of every member of the organization during the year just ended.

Submitted on behalf of the Board of Directors.

Respectfully,



Chairman of the Board



President

One of a new series of advertisements depicting each of the forty-eight states of the United States, currently appearing in magazines of national circulation. Artists native to each state are engaged to make the paintings.

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED YEAR-END BALANCE SHEETS FOR TWELVE YEAR

ASSETS

	1946	1945	1944	1943	1942
Cash in banks and on hand.....	\$ 5,917,335	\$ 3,991,492	\$ 2,364,987	\$ 1,649,835	\$ 1,216,063
U. S. Government securities	133,321	1,620,562	612,166	297,061	285,870
Accounts and notes receivable—less reserves	5,115,371	3,081,785	2,809,884	2,913,481	2,380,611
Inventories.....	6,136,154	4,529,376	3,737,137	3,481,416	3,199,667
Total current assets.....	\$17,302,181	\$13,223,215	\$ 9,524,174	\$ 8,341,793	\$ 7,082,211
Cash set aside for plant additions and betterment program	4,000,000	—	—	—	—
Postwar excess profits tax refund.....	—	—	1,720,834	1,010,834	361,000
Other receivables and investments.....	1,596,964	1,324,789	864,472	76,143	135,134
Land.....	3,717,904	3,549,668	3,551,231	3,569,681	3,583,906
Buildings, machinery and equipment.....	34,758,138	29,122,070	27,867,623	26,972,366	26,361,566
Reserve for depreciation.....	19,284,987	17,173,036	15,918,586	14,573,515	13,269,224
Deferred charges.....	803,285	482,755	508,991	446,918	283,175
Good will and patents.....	1	1	1	1	1
	<u>\$42,893,486</u>	<u>\$30,529,462</u>	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>

LIABILITIES

Accounts payable.....	\$ 2,037,779	\$ 2,309,871	\$ 1,462,096	\$ 849,217	\$ 1,154,353
Accrued salaries, wages, taxes, interest, etc.	2,184,104	1,835,630	1,426,907	1,256,587	1,048,981
Reserve for Federal income taxes and renegotiation of war contracts.....	—*	—*	—*	—*	—*
Sinking fund payments due within a year..	—	—	—	—	—
Total current liabilities.....	\$ 4,221,883	\$ 4,145,501	\$ 2,889,003	\$ 2,105,804	\$ 2,203,334
Funded debt.....	—	—	—	—	—
Provision for prior years Federal income taxes in dispute.....	—	—	—	—	—
Reserve for contingencies.....	—	—	—	—	—
Reserve for inventory and contingencies...	2,000,000	1,400,000	1,100,000	500,000	—
Capital stock.....	19,809,480	15,625,060	15,625,060	15,625,060	15,625,060
Paid-in surplus.....	3,829,851	671,494	671,494	671,494	671,494
Earned surplus.....	13,032,272	8,687,407	7,833,183	6,941,863	6,037,881
	<u>\$42,893,486</u>	<u>\$30,529,462</u>	<u>\$28,118,740</u>	<u>\$25,844,221</u>	<u>\$24,537,769</u>
Working capital.....	\$13,080,298	\$ 9,077,714	\$ 6,635,171	\$ 6,235,989	\$ 4,878,877
Current ratio.....	4.10 to 1	3.19 to 1	3.30 to 1	3.96 to 1	3.21 to 1
Book value per share.....	\$ 37.02	\$ 31.98	\$ 30.89	\$ 29.74	\$ 28.59

Note—Italics denote red figures.

*Provision for Federal income taxes and renegotiation.....

Less Treasury notes—tax series.....

\$ 7,266,403	\$ 8,080,442	\$ 9,896,997	\$ 9,218,820	\$ 6,878,426
7,266,403	8,080,442	9,896,997	9,218,820	6,878,426
—	—	—	—	—

SUBSIDIARY COMPANIES

PERIOD ENDED DECEMBER 31, 1946

1941	1940	1939	1938	1937	1936	1935
\$ 1,249,665	\$ 2,456,532	\$ 1,044,918	\$ 1,031,969	\$ 1,650,344	\$ 1,147,362	\$ 1,131,576
—	—	—	—	—	—	—
3,108,880	1,969,006	1,903,452	1,474,683	1,133,116	1,625,631	1,155,580
4,340,712	3,410,931	3,644,189	2,859,950	3,143,426	2,900,739	2,896,060
\$ 8,699,257	\$ 7,836,469	\$ 6,592,559	\$ 5,366,602	\$ 5,926,886	\$ 5,673,732	\$ 5,183,216
—	—	—	—	—	—	—
—	—	—	—	—	—	—
367,664	802,253	1,561,736	1,487,517	1,848,555	149,754	90,563
3,599,118	3,485,447	3,463,005	3,450,285	3,192,264	3,237,069	3,237,069
25,864,025	25,096,655	24,051,950	23,452,635	22,720,891	21,872,009	21,143,364
11,952,714	10,992,835	9,897,678	8,922,908	7,763,149	7,738,397	6,760,214
227,151	187,062	338,039	387,994	385,583	438,647	433,644
I	I	I	I	I	I	I
<u>\$26,804,502</u>	<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>

\$ 1,321,396	\$ 345,977	\$ 820,005	\$ 446,525	\$ 363,451	\$ 1,305,003	\$ 758,558
1,118,470	832,830	516,978	392,440	434,276	415,636	329,066
360,070*	1,186,977	296,000	34,200	528,000	255,000	217,500
—	—	250,000	128,000	115,000	154,000	250,000
\$ 2,799,936	\$ 2,365,784	\$ 1,882,983	\$ 1,001,165	\$ 1,440,727	\$ 2,129,639	\$ 1,555,124
2,900,000	4,100,000	5,126,000	5,945,500	6,472,000	6,980,500	7,736,360
—	—	—	500,000	—	—	—
—	—	—	—	449,114	434,114	417,614
—	—	—	—	—	—	—
15,625,060	15,625,060	15,625,060	15,625,060	15,625,060	13,070,800	13,070,800
671,494	671,494	671,494	671,494	383,139	—	—
4,808,012	3,652,714	2,804,075	1,478,907	1,940,991	1,017,762	547,745
<u>\$26,804,502</u>	<u>\$26,415,052</u>	<u>\$26,109,612</u>	<u>\$25,222,126</u>	<u>\$26,311,031</u>	<u>\$23,632,815</u>	<u>\$23,327,643</u>
\$ 5,899,321	\$ 5,470,685	\$ 4,709,576	\$ 4,365,437	\$ 4,486,159	\$ 3,544,093	\$ 3,628,092
3.11 to 1	3.31 to 1	3.50 to 1	5.36 to 1	4.11 to 1	2.66 to 1	3.33 to 1
\$ 27.01	\$ 25.53	\$ 24.45	\$ 22.75	\$ 22.97	\$ 21.56	\$ 20.84

\$4,564,790
4,204,720
\$ 360,070

CONTAINER CORPORATION OF AMERICA AND CONSOLIDATED PROFIT AND LOSS STATEMENTS FOR TWELVE

	1946	1945	1944	1943	1942
Net sales.....	\$91,090,286	\$74,138,191	\$69,641,096	\$61,163,685	\$49,533,239
Cost of sales (exclusive of depreciation).....	71,246,408	59,589,990	53,830,458	46,206,565	36,668,926
Gross profit (exclusive of depreciation).. <td>\$19,843,878</td> <td>\$14,548,201</td> <td>\$15,810,638</td> <td>\$14,957,120</td> <td>\$12,864,313</td>	\$19,843,878	\$14,548,201	\$15,810,638	\$14,957,120	\$12,864,313
Provision for depreciation.....	1,493,346	1,435,464	1,481,306	1,421,460	1,411,499
Gross profit from operations.....	\$18,350,532	\$13,112,737	\$14,329,332	\$13,535,660	\$11,452,814
Selling, administrative and general expenses	5,317,302	4,496,451	4,025,746	3,412,501	3,016,086
Profit from operations.....	\$13,033,230	\$ 8,616,286	\$10,303,586	\$10,123,159	\$ 8,436,728
Other income and <i>charges</i> —net.....	102,331	399,817	209,613	260,895	181,652
Profit before interest and Federal income taxes.....	\$13,135,561	\$ 9,016,103	\$10,513,199	\$10,384,054	\$ 8,618,380
Interest charges, etc.....	—	—	—	—	36,632
Profit before Federal income taxes, etc.. <td>\$13,135,561</td> <td>\$ 9,016,103</td> <td>\$10,513,199</td> <td>\$10,384,054</td> <td>\$ 8,581,748</td>	\$13,135,561	\$ 9,016,103	\$10,513,199	\$10,384,054	\$ 8,581,748
Provision for Federal income taxes (including renegotiation in 1945, 1944 and 1943)	5,370,000	6,690,000	7,850,000	7,700,000	6,180,000
	\$ 7,765,561	\$ 2,326,103	\$ 2,663,199	\$ 2,684,054	\$ 2,401,748
Provision for inventory and contingencies reserve.....	600,000	300,000	600,000	500,000	—
Net profit for the year.....	\$ 7,165,561	\$ 2,026,103	\$ 2,063,199	\$ 2,184,054	\$ 2,401,748
Earnings per share.....	\$ 7.23	\$ 2.59	\$ 2.64	\$ 2.80	\$ 3.07

Note—Italics denote red figures.

RECORD OF DIVIDENDS AND INTEREST ON FUNDED DEBT PAID FOR TWELVE YEAR PERIOD JANUARY 1, 1935

Dividends paid:					
Preferred stocks.....	\$ 4,664**	—	—	—	—
Common stocks.....	3,218,247	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
Total dividends.....	\$ 3,222,911	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879
*Interest paid on funded debt.....	—	—	—	\$ —	\$ 37,031
Total dividends and interest.....	\$ 3,222,911	\$ 1,171,879	\$ 1,171,879	\$ 1,171,879	\$ 1,208,910

*On basis of cash payments made. This differs slightly from accrual basis used on profit and loss statement.

**Paid on Preferred Stock issues of subsidiary companies. Such issues were retired in 1946.

SUBSIDIARY COMPANIES

YEAR PERIOD ENDED DECEMBER 31, 1946

1941	1940	1939	1938	1937	1936	1935	Total
\$46,714,221	\$30,464,677	\$24,114,815	\$18,705,290	\$25,268,327	\$22,525,268	\$20,181,777	\$533,540,872
35,548,267	23,339,894	19,172,531	15,295,294	19,201,297	17,466,001	15,356,939	412,922,570
\$11,165,954	\$ 7,124,783	\$ 4,942,284	\$ 3,409,996	\$ 6,067,030	\$ 5,059,267	\$ 4,824,838	\$120,618,302
1,307,975	1,241,246	1,180,417	1,261,111	1,216,800	1,172,734	1,152,590	15,775,948
\$ 9,857,979	\$ 5,883,537	\$ 3,761,867	\$ 2,148,885	\$ 4,850,230	\$ 3,886,533	\$ 3,672,248	\$104,842,354
2,953,587	2,361,345	1,690,557	1,748,504	2,027,711	1,791,599	1,575,614	34,417,003
\$ 6,904,392	\$ 3,522,192	\$ 2,071,310	\$ 400,381	\$ 2,822,519	\$ 2,094,934	\$ 2,096,634	\$ 70,425,351
69,679	113,030	36,237	75,930	71,770	89,054	143,609	1,005,393
\$ 6,834,713	\$ 3,635,222	\$ 2,107,547	\$ 476,311	\$ 2,750,749	\$ 2,005,880	\$ 1,953,025	\$ 71,430,744
92,536	220,540	365,604	412,641	438,644	463,938	497,516	2,528,051
\$ 6,742,177	\$ 3,414,682	\$ 1,741,943	\$ 63,670	\$ 2,312,105	\$ 1,541,942	\$ 1,455,509	\$ 68,902,693
4,415,000	1,187,000	293,043	34,200	528,000	255,000	217,500	40,719,743
\$ 2,327,177	\$ 2,227,682	\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 28,182,950
—	—	—	—	—	—	—	2,000,000
\$ 2,327,177	\$ 2,227,682	\$ 1,448,900	\$ 29,470	\$ 1,784,105	\$ 1,286,942	\$ 1,238,009	\$ 26,182,950
\$ 2.98	\$ 2.85	\$ 1.85	\$.04	\$ 2.28	\$ 1.97	\$ 1.89	

TO DECEMBER 31, 1946

—	—	—	—	—	—	\$ 422,310	\$ 426,974
\$ 1,171,879	\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	—	12,357,011
\$ 1,171,879	\$ 1,171,879	\$ 195,313	\$ 234,376	\$ 860,876	\$ 816,925	\$ 422,310	\$ 12,783,985
\$ 91,234	\$ 207,677	\$ 310,900	\$ 346,005	\$ 374,340	\$ 422,459	\$ 438,871	\$ 2,228,517
\$ 1,263,113	\$ 1,379,556	\$ 506,213	\$ 580,381	\$ 1,235,216	\$ 1,239,384	\$ 861,181	\$ 15,012,502

RAW MATERIALS

PROCESSING

MILLS



PULP WOOD FROM THE FORESTS

WASTE PAPER FROM THE CITIES



FERNANDINA



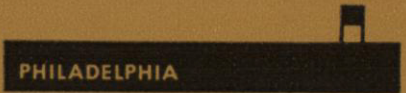
CHICAGO



DETROIT



KALAMAZOO



PHILADELPHIA

PULP AND PAPERSTOCK



STRAW FROM THE FARMS



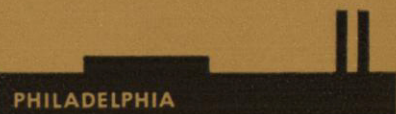
CHICAGO - COATED BOARD



CHICAGO - OGDEN



CINCINNATI



PHILADELPHIA



TACOMA



WABASH



WILMINGTON



CARTHAGE



CIRCLEVILLE

SOURCES AND FLOW OF PRIMARY MATERIALS THROUGH MILLS

FACTORIES

PRODUCTS

USES

ANDERSON

BALTIMORE

BOSTON

CHICAGO - 35TH ST.

CHICAGO - OGDEN

CINCINNATI

CLEVELAND

FT. WORTH

LOS ANGELES

NEW ORLEANS

OAKLAND

PHILADELPHIA - MANAYUNK

PHILADELPHIA - 6TH STREET

ROCK ISLAND

ST. LOUIS

SEATTLE

SIOUX CITY

TACOMA



CORRUGATED
CONTAINERS



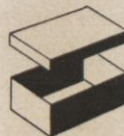
SOLID FIBRE
CONTAINERS



FOLDING CARTONS



FOOD PAILS



SET-UP BOXES



FIBRE CANS

Automotive Parts

Bakery Goods

Beer

Boots and Shoes

Building Materials

Canned Foods

Caps and Closures

Cereal Products

Chemicals

China & Pottery

Clothing

Coffee, Tea, Cocoa

Confectionery

Cosmetics

Dairy Products

Dehydrated Foods

Explosives

Electrical Products

Frozen Foods

Fruits and Vegetables

Furniture

Glass Products

Hardware and Tools

Household Goods

Ice Cream

Linens and Towels

Liquor and Wine

Machines and Parts

Matches

Meat Products

Paint and Varnish

Paper Products

Personal Accessories

Petroleum Products

Pharmaceuticals

Publishers, Printers

Radio Products

Refrigerators

Rubber Goods

Soaps and Cleansers

Soft Drinks

Spices

Sporting Goods

Sugar and Salt

Textiles

Tobacco Products

Toys and Games

Vegetable Products

PAPERBOARD



AND FACTORIES OF CONTAINER CORPORATION OF AMERICA

CONTAINER CORPORATION OF AMERICA

COMPARATIVE CONSOLIDATED BALANCE SHEETS—

ASSETS

	1946	1945
CURRENT ASSETS:		
Cash in banks and on hand.....	\$ 5,917,335	\$ 3,991,492
U. S. Government securities, at cost, plus accrued interest.....	133,321	1,620,562
Accounts receivable, less reserve of \$191,472 in 1946 and \$150,400 in 1945.....	5,115,371	3,081,785
Inventories of finished goods, work in process, raw materials and supplies—priced at the lower of average cost or market.....	6,136,154	4,529,376
Total current assets.....	<u>\$17,302,181</u>	<u>\$13,223,215</u>
INVESTMENTS AND ADVANCES, AT COST:		
Investments in and advances to subsidiaries not consolidated—		
Foreign.....	\$ 900,000	\$ 800,000
Domestic.....	—	281,559
Other investments and advances.....	696,964	243,230
	<u>\$ 1,596,964</u>	<u>\$ 1,324,789</u>
CASH SET ASIDE FOR PLANT ADDITIONS AND BETTERMENT PROGRAM.....	<u>\$ 4,000,000</u>	<u>\$ —</u>
PLANT AND EQUIPMENT—stated at amounts (based in part on appraisals) recorded at dates of acquisition of properties (including properties acquired for capital stock), plus subsequent additions at cost (see note):		
	Gross	Less Reserves
Land.....	\$ 3,717,904	\$ —
Buildings.....	8,844,053	3,476,717
Machinery, equipment, etc.....	19,886,913	12,063,770
Leasehold and leasehold improvements..	4,643,167	3,744,500
	<u>\$37,092,037</u>	<u>\$19,284,987</u>
	\$17,807,050	\$15,498,702
Construction in Progress.....	1,384,005	—
	<u>\$19,191,055</u>	<u>\$15,498,702</u>
PREPAID AND DEFERRED CHARGES.....	\$ 803,285	\$ 482,755
GOODWILL AND PATENTS.....	\$ 1	\$ 1
	<u>\$42,893,486</u>	<u>\$30,529,462</u>

NOTE: The company contemplates additions and betterments to its plant and equipment estimated to cost approximately \$13,000,000. Cash of \$4,000,000 has been set aside for this program and the company has made a loan agreement with certain banks which provides for the borrowing of a maximum of \$6,000,000. Amounts borrowed under this agreement will be evidenced by 2¼% notes payable in installments maturing from January 1, 1948 to July 1, 1955. Changes in the terms of this loan are now under consideration. The loan agreement also provides that a maximum of \$7,000,000 of consolidated earned surplus will not be available for the payment of cash dividends on common stock. The company is not obligated to borrow under this agreement and no amounts had been borrowed at December 31, 1946.

AND SUBSIDIARY COMPANIES

DECEMBER 31, 1946 AND DECEMBER 31, 1945

LIABILITIES

	1946	1945
CURRENT LIABILITIES:		
Accounts payable.....	\$ 2,037,779	\$ 2,309,871
Accrued liabilities—		
Salaries, wages and profit sharing provision.....	1,349,343	954,902
Taxes, other than Federal taxes on income.....	640,770	530,769
Other.....	193,991	349,959
Provision for Federal taxes on income (including renegotiation in 1945) of \$7,266,403 in 1946 and \$8,080,442 in 1945, less an equivalent amount of United States Treasury Notes, to be applied in payment thereof.....	—	—
Total current liabilities.....	\$ 4,221,883	\$ 4,145,501
RESERVE FOR POSSIBLE FUTURE INVENTORY PRICE DECLINE AND OTHER CONTINGENCIES.....	\$ 2,000,000	\$ 1,400,000
CAPITAL STOCK AND SURPLUS:		
Capital stock \$20 par value—		
Authorized 1,000,000 shares, outstanding 990,474 shares in 1946...	\$19,809,480	\$15,625,060
Surplus (see accompanying summary)—		
Paid-in surplus.....	3,829,851	671,494
Earned surplus.....	13,032,272	8,687,407
	\$36,671,603	\$24,983,961
	\$42,893,486	\$30,529,462

CONTAINER CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

SUMMARIES OF CONSOLIDATED PROFIT AND LOSS AND SURPLUS FOR THE YEARS ENDED DECEMBER 31, 1946 AND DECEMBER 31, 1945

	1946	1945
NET SALES.....	\$91,090,286	\$74,138,191
COST OF SALES (including depreciation and depletion provision of \$1,493,346 in 1946 and \$1,435,464 in 1945).....	72,739,754	61,025,454
Gross profit from operations.....	\$18,350,532	\$13,112,737
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	5,317,302	4,496,451
Profit from operations.....	\$13,033,230	\$ 8,616,286
PURCHASE DISCOUNTS, INTEREST EARNED, ETC. (net).....	102,331	399,817
Balance before income taxes, etc.....	\$13,135,561	\$ 9,016,103
PROVISION FOR FEDERAL TAXES ON INCOME (including renegotiation in 1945).....	5,370,000	\$ 6,690,000
	\$ 7,765,561	\$ 2,326,103
PROVISION FOR POSSIBLE FUTURE INVENTORY PRICE DECLINE AND OTHER CONTINGENCIES.....	600,000	300,000
Net profit for the year.....	<u>\$ 7,165,561</u>	<u>\$ 2,026,103</u>

NOTES:

- (1) The company has filed claims for relief from a portion of its excess-profits tax for the years 1940 through 1943, and 1945, under Section 722 of the Internal Revenue Code. The effect of such claims has not been reflected in the accompanying financial statements.
- (2) The summary of profit and loss for the year ended December 31, 1946 includes the net profits of California Container Corporation for the period since February 28, 1946, date of acquisition and of Sefton Fibre Can Company (a subsidiary previously not consolidated) for the year. The net profit included in the above summary for 1946 applicable to these two companies amounted to approximately \$700,000.

EARNED SURPLUS

	1946	1945
Balance at beginning of year.....	\$ 8,687,407	\$7,833,183
Add—		
Net profit for year, per accompanying statement.....	7,165,561	2,026,103
Earned surplus at January 1, 1946 of subsidiary not previously consolidated.....	402,215	—
	<u>\$16,255,183</u>	<u>\$9,859,286</u>
Deduct—Cash dividends paid—		
Parent company common stock (1946, \$3.40 per share; 1945, \$1.50 per share).....	\$ 3,218,247	\$1,171,879
Preferred stocks of subsidiaries (retired during year).....	4,664	—
	<u>\$ 3,222,911</u>	<u>\$1,171,879</u>
Balance at end of year.....	<u>\$13,032,272</u>	<u>\$8,687,407</u>

PAID-IN SURPLUS

Balance at beginning of year.....	\$ 671,494	\$ 671,494
Excess of assets acquired in purchase of California Container Corporation over par value of 67,725 shares of common stock issued therefor.....	156,436	—
Excess of cash received for 141,496 shares of common stock sold during year over par value thereof less \$110,990 expenses of sale.....	3,001,921	—
Balance at end of year.....	<u>\$ 3,829,851</u>	<u>\$ 671,494</u>

ARTHUR ANDERSEN & Co.

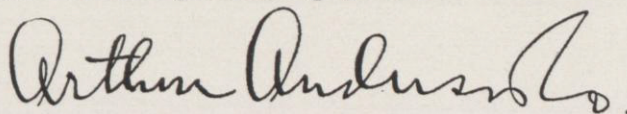
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Stockholders of

Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA and subsidiaries as of December 31, 1946, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the year ended December 31, 1945.

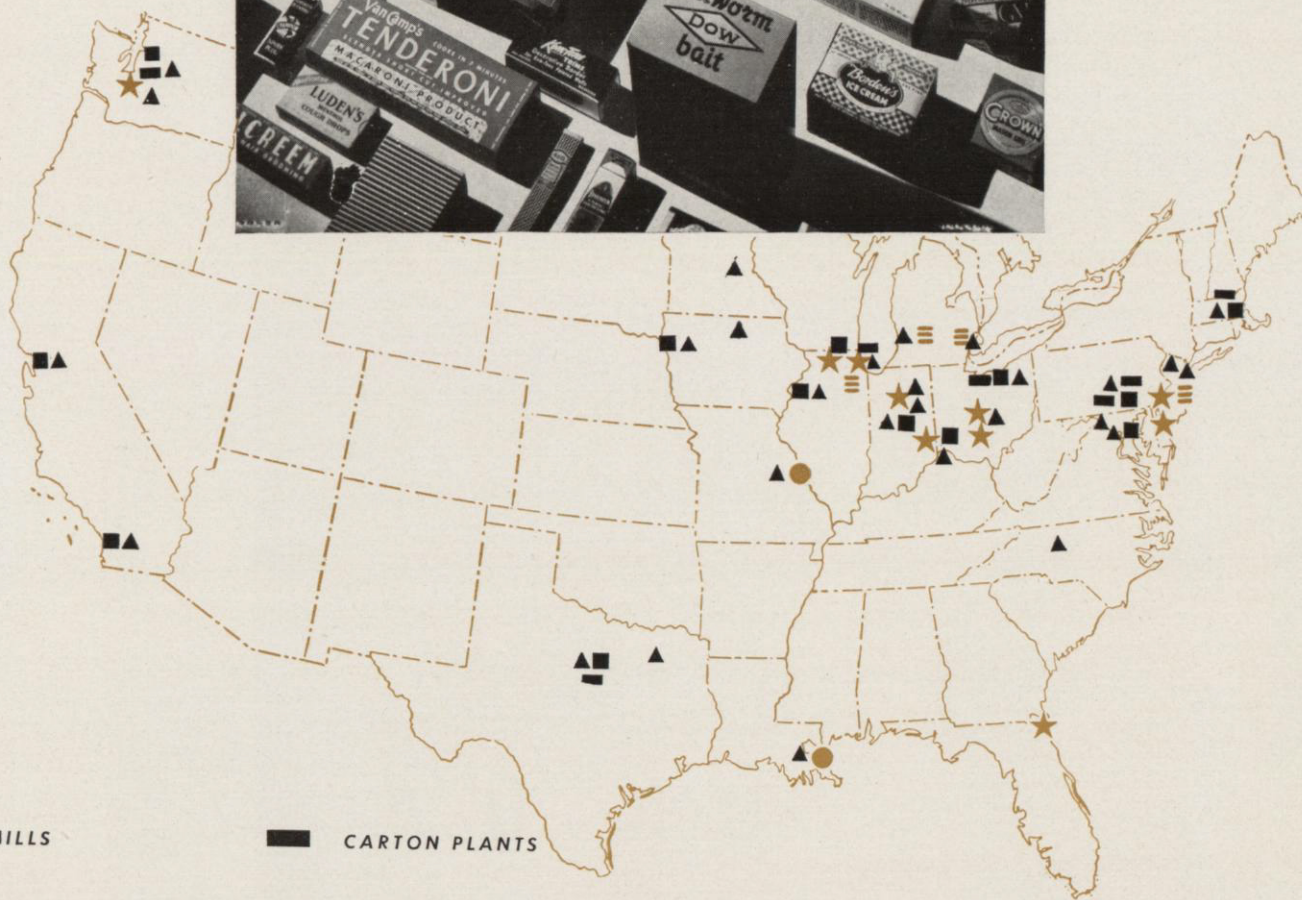
In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of the companies at December 31, 1946 and the results of their operations for the year ended that date and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chicago, Illinois,

February 5, 1947.

Typical folding cartons printed in two and four colors at the strategically located factories of Container Corporation of America.



MILLS



CARTON PLANTS



WASTE PAPER PLANTS



FIBRE CAN PLANTS



CONTAINER PLANTS



SALES OFFICES

Mills, plants and sales offices of the Company are strategically located with respect to the industries they serve.

